

**CLAY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015  
WITH  
REPORT OF INDEPENDENT AUDITORS**

## TABLE OF CONTENTS

<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	9
Statement of Activities .....	10
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	16
Statement of Cash Flows – Proprietary Funds .....	17
Statement of Fiduciary Net Position – Fiduciary Funds.....	18
<b>Notes to the Basic Financial Statements</b> .....	19

## Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	43
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	44
Notes to Required Supplementary Information – Budget and Actual – General Fund .....	45
Schedule of the Districts' Proportionate Share of the Net Pension Liability – County Employees Retirement System .....	46
Schedule of District Contributions – County Employees Retirement System .....	47
Schedule of the State's Proportionate Share of the Net Pension Liability – Kentucky Teachers' Retirement System.....	48
Schedule of State Contributions – Kentucky Teachers' Retirement System .....	49
Combining Balance Sheet – Nonmajor Governmental Funds.....	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	51
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds.....	52
Statement of Revenues, Expenditures, and Changes in Fund Balances – Clay County High School Activity Fund .....	53
Schedule of Expenditures of Federal Awards.....	56
Notes to the Schedule of Expenditures of Federal Awards .....	58
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; And Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	61
Schedule of Findings and Questioned Costs – Major Programs.....	64
Schedule of Prior Year Audit Findings .....	66
Independent Auditors' Transmittal Letter for Management Letter Comments.....	68
Management Letter Comments.....	69

**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clay County School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clay County School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by the Office of Management and budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



#### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 13, 2015, on our consideration of Clay County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Year ended June 30, 2015

---

As management of the Clay County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

**FINANCIAL HIGHLIGHTS**

- The fund balance (prior fiscal year actual revenues less the prior fiscal year actual expenses) becomes the beginning balance for the next fiscal year. The General Fund beginning balance for fiscal year 2014-2015 was \$2,405,199. It decreased by \$701,238 as compared to the beginning balance for fiscal year 2013-2014.
- The final SEEK calculation for 2014-2015 was based upon a guaranteed base per pupil amount of \$3,911. The guaranteed base per pupil increased \$84 as compared to the previous fiscal year's guaranteed base per pupil amount of \$3,827. The school district experienced a decrease in adjusted average daily attendance (AADA) of 37.683 in which the prior year end of year AADA for 2014-2015 was 2,899.526 as compared to the prior year end of year AADA for 2013-2014 of 2,937.209. No growth in AADA was reported or funded due to the statewide shortfall in revenue. The grand total net General Fund SEEK on the final SEEK calculation for 2014-2015 increased by \$7,503 as compared to the final SEEK calculation for 2013-2014 primarily due to the increase in the guaranteed base per pupil.
- The school district adopted the 4% increase tax rate during fiscal year 2014-2015. The total property tax receipts increased by \$141,668 in comparison to the amount receipted for property tax during fiscal year 2013-2014.
- The school district sold Horse Creek School plus a track of land for a total of \$542,615. The proceeds of the sale were used to pay off the 2012 Series KISTA bus lease.
- The Kentucky Department of Education approved the school district to transfer \$229,000 from the Capital Outlay fund to the General Fund for the following expenses: \$55,000 used for Clay County Middle School HVAC maintenance and \$174,000 used for the property insurance premium.
- The school district recorded \$6,008,703 in revenues and expenses for on-behalf payments during 2014-2015. The on-behalf payments are payments made on behalf of the school district by various state entities including the employer's portion of health benefits, Kentucky Teacher Retirement System (KTRS), technology, and debt service.
- The increase in salary and fringe expenses incurred during fiscal year 2014-2015 was due to the mandated 1% salary increase for all employees of the school district.
- The school district paid 25% or \$89,210 of the KSBIT workers' compensation assessment in which the remaining balance will be paid by installments over the next six years.
- The school district paid off the 2012 Series KISTA bus lease in the amount of \$403,701 using the proceeds from the sale of Horse Creek School. In addition, the school district paid a total of \$56,202 for principal and \$20,140 for interest payments for the 2012 and 2014 Series KISTA bus leases.
- The school district made bond principal and interest payments during 2014-2015 totaling \$1,070,123. The payments consisted of transfers to the Debt Service fund from the Building Fund in the amount of \$1,070,123.
- The school district transferred \$77,331 from the General Fund to the Special Revenue Fund to match the states Kentucky Education Technology System (KETS) offers of assistance during 2014-2015. The KETS funding is used to maintain technology operating costs for the district.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 41 of this report.

## GOVERNMENT WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$10,585,661; proprietary liabilities exceeded assets by \$444,114 and total assets exceeded liabilities by \$10,141,547 at June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
Year ended June 30, 2015

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,778,355	\$ 5,259,786	\$ 186,912	\$ 315,171	\$ 5,965,267	\$ 5,574,957
Capital assets, net of depreciation	25,476,154	26,113,152	496,472	415,759	25,972,626	26,528,911
<b>Total Assets</b>	<b>\$ 31,254,509</b>	<b>\$ 31,372,938</b>	<b>\$ 730,930</b>	<b>\$ 730,930</b>	<b>\$ 31,937,893</b>	<b>\$ 32,103,868</b>
<b>Deferred outflows of resources</b>	<b>\$ 1,240,767</b>	<b>\$ 587,274</b>	<b>\$ 143,766</b>	<b>\$ -</b>	<b>\$ 1,384,533</b>	<b>\$ 587,274</b>
Current liabilities	\$ 1,745,163	\$ 1,508,217	\$ -	\$ -	\$ 1,745,163	\$ 1,508,217
Other liabilities	19,520,141	14,830,010	1,143,575	-	20,663,716	14,830,010
<b>Total Liabilities</b>	<b>\$ 21,265,304</b>	<b>\$ 15,874,439</b>	<b>\$ 1,143,575</b>	<b>\$ -</b>	<b>\$ 22,408,879</b>	<b>\$ 16,338,227</b>
<b>Deferred inflows of resources</b>	<b>\$ 644,311</b>	<b>\$ -</b>	<b>\$ 127,689</b>	<b>\$ -</b>	<b>\$ 772,000</b>	<b>\$ -</b>
Net position						
Net invested in capital assets, net of related debt	\$ 11,539,132	\$ 10,655,201	\$ 496,472	\$ 415,759	\$ 12,035,604	\$ 11,070,960
Restricted net position	2,716,330	2,720,382	(940,586)	315,171	1,775,744	3,035,553
Unrestricted net position	(3,669,801)	2,246,402	-	-	(3,669,801)	2,246,402
<b>Total Net Position</b>	<b>\$ 10,585,661</b>	<b>\$ 15,621,985</b>	<b>\$ (444,114)</b>	<b>\$ 730,930</b>	<b>\$ 10,141,547</b>	<b>\$ 16,352,915</b>

**The following is a summary of the District's changes in net position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 13,932	\$ 78,652	\$ 248,229	\$ 258,966	\$ 262,161	\$ 337,618
Operating grants & contributions	7,074,402	7,030,300	2,158,647	2,187,998	9,233,049	9,218,298
Capital grants & contributions	1,480,411	-	-	-	1,480,411	-
General revenues						
Local taxes	4,366,295	4,143,923	-	-	4,366,295	4,143,923
State sources	216,18,383	23,483,770	-	-	216,18,383	23,483,770
Federal sources	-	-	-	-	-	-
Other	134,107	110,052	-	-	134,107	110,052
<b>Total revenues</b>	<b>\$ 34,687,530</b>	<b>\$ 34,846,697</b>	<b>\$ 2,406,876</b>	<b>\$ 2,446,964</b>	<b>\$ 37,094,406</b>	<b>\$ 37,293,661</b>
<b>Expenses</b>						
School operation and administration	\$ 33,594,839	\$ 35,497,375	\$ -	\$ -	\$ 33,594,839	\$ 35,497,375
School food services	-	-	2,440,752	2,438,407	2,440,752	2,438,407
Interest on debt service	370,735	492,332	-	-	370,735	492,332
<b>Total expenses</b>	<b>\$ 33,965,574</b>	<b>\$ 35,989,707</b>	<b>\$ 2,440,752</b>	<b>\$ 2,438,407</b>	<b>\$ 36,406,326</b>	<b>\$ 38,428,114</b>
<b>Increase/(Decrease) in net assets</b>	<b>\$ 721,956</b>	<b>\$ (1,143,010)</b>	<b>\$ (33,876)</b>	<b>\$ 8,557</b>	<b>\$ 688,080</b>	<b>\$ (1,134,453)</b>

There has been some increase in the financial position of the District since the prior year.

CLAY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
Year ended June 30, 2015

---

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2015 and 2014.

	2014	2014
<b>Revenues and other financing sources</b>		
Local revenue sources	\$ 5,459,211	\$ 5,153,050
State revenue sources	24,390,660	24,877,408
Federal revenue	4,726,230	4,781,703
Investments	33,077	32,794
Other sources	1,100,440	519,250
Bond proceeds	-	815,000
Transfers in	<u>1,706,396</u>	<u>1,316,647</u>
<b>Total Revenue</b>		
<b>and other financing sources</b>	<u>37,416,014</u>	<u>37,495,852</u>
<b>Expenditures and other financing uses</b>		
Instruction	19,723,355	19,929,453
Student support services	664,403	522,487
Instructional support	2,753,102	3,098,274
District administration	1,352,820	1,518,024
School administration	1,640,800	1,618,757
Business support	420,385	443,891
Plant operations	3,188,092	3,658,373
Student transportation	3,011,396	3,113,277
Non-instructional	1,082	1,652
Community support	412,350	395,175
Site improvement	342,981	398,114
Debt service	1,923,803	1,659,695
Transfers out	<u>1,706,396</u>	<u>1,316,647</u>
<b>Total expenditures</b>		
<b>and other financing uses</b>	<u>37,140,965</u>	<u>37,673,819</u>
<b>Net change in fund balance</b>	<u>\$ 275,049</u>	<u>\$ (177,967)</u>

On behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues and have no effect on the District level fund balance.

**CLAY COUNTY SCHOOL DISTRICT****MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**Year ended June 30, 2015

---

**BUDGETARY IMPLICATION**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e., some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$1,969,619 in contingency. Significant Board action that impacts the finances includes a pay raise for all employees at the beginning of the fiscal year. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

Questions regarding this report should be directed to the Superintendent (606) 598-2168, or to the Finance Officer (606) 598-2168 or by mail at 128 Richmond Road, Manchester, Kentucky 40962.

## CLAY COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,550,828	\$ 186,912	\$ 4,737,740
Accounts receivable:			
Taxes	193,323	-	193,323
Other	217,343	-	217,343
Intergovernmental - State	816,861	-	816,861
Intergovernmental - Federal	-	-	-
Capital Assets, net			
Nondepreciable	932,161	-	932,161
Depreciable	24,543,993	496,472	25,040,465
<b>Total assets</b>	<b>31,254,509</b>	<b>683,384</b>	<b>31,937,893</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts from refunding bonds	515,332	-	515,332
Deferred pension contributions	725,435	143,766	869,201
	1,240,767	143,766	1,384,533
<b>LIABILITIES</b>			
Accounts payable	157,128	-	157,128
Unearned revenue	220,597	-	220,597
Current portion of KSBIT assessment payable	44,605	-	44,605
Current portion of capital lease obligations	114,168	-	114,168
Current maturities of bond obligations	1,105,000	-	1,105,000
Interest payable	103,665	-	103,665
Net pension liability	5,770,425	1,143,575	6,914,000
Noncurrent portion of KSBIT assessment payable	223,027	-	223,027
Noncurrent portion of capital lease obligations	873,166	-	873,166
Noncurrent maturities of bond obligations	12,360,000	-	12,360,000
Noncurrent portion of accumulated sick leave	293,503	-	293,503
<b>Total liabilities</b>	<b>21,265,284</b>	<b>1,143,575</b>	<b>22,408,859</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amounts from pension	644,311	127,689	772,000
<b>NET POSITION</b>			
Net investment in capital assets	11,539,152	496,472	12,035,624
Restricted for:			
Capital expenditures	2,344,368	-	2,344,368
Other	371,962	(940,586)	(568,624)
Unrestricted	(3,669,801)	-	(3,669,801)
<b>Total net position</b>	<b>\$ 10,585,681</b>	<b>\$ (444,114)</b>	<b>\$ 10,141,567</b>



CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS	Expenses						
<b>Governmental activities</b>							
Instruction	\$ 21,597,710	\$ 13,932	\$ 10,444,273	\$ -	\$ (11,139,505)	\$ -	\$ (11,139,505)
Student	745,634	-	337,850	-	(407,784)	-	(407,784)
Instructional support	3,043,570	-	2,410,436	-	(633,134)	-	(633,134)
District administration	1,518,562	-	347,029	-	(1,171,533)	-	(1,171,533)
School administration	1,814,781	-	550,006	-	(1,264,775)	-	(1,264,775)
Business support	471,119	-	52,138	-	(418,981)	-	(418,981)
Plant operations and maintenance	3,536,808	-	669,166	-	(2,867,642)	-	(2,867,642)
Student transportation	3,633,765	-	690,862	-	(2,942,903)	-	(2,942,903)
Other instructional	1,196	-	247	-	(949)	-	(949)
Building improvements	342,981	-	-	-	(342,981)	-	(342,981)
Community services	455,877	-	453,898	-	(1,979)	-	(1,979)
Interest on long-term debt	370,715	-	-	1,480,411	1,109,696	-	1,109,696
<b>Total governmental activities</b>	<b>37,532,718</b>	<b>13,932</b>	<b>15,955,905</b>	<b>1,480,411</b>	<b>(20,082,470)</b>	<b>-</b>	<b>(20,082,470)</b>
<b>Business-type activities</b>							
Food service	2,440,752	248,229	2,158,647	-	-	(33,876)	(33,876)
<b>Total business-type activities</b>	<b>2,440,752</b>	<b>248,229</b>	<b>2,158,647</b>	<b>-</b>	<b>-</b>	<b>(33,876)</b>	<b>(33,876)</b>
<b>Total primary government</b>	<b>\$ 39,973,470</b>	<b>\$ 262,161</b>	<b>\$ 18,114,552</b>	<b>\$ 1,480,411</b>	<b>(20,082,470)</b>	<b>(33,876)</b>	<b>(20,116,346)</b>
<b>General revenues</b>							
Taxes:							
Property					2,678,024	-	2,678,024
Motor vehicle					472,033	-	472,033
Utility					1,139,313	-	1,139,313
Other					76,925	-	76,925
Earnings on investments					33,077	-	33,077
State grants					16,304,044	-	16,304,044
Other local amounts					22,678	-	22,678
Gain/(loss) on disposal of assets					78,352	-	78,352
<b>Total general revenues</b>					<b>20,804,446</b>	<b>-</b>	<b>20,804,446</b>
<b>Change in net position</b>					<b>721,976</b>	<b>(33,876)</b>	<b>688,100</b>
Restated net position beginning of year					9,863,705	(410,238)	9,453,467
<b>Net position as of June 30, 2015</b>					<b>\$ 10,585,681</b>	<b>\$ (444,114)</b>	<b>\$ 10,141,567</b>

The accompanying notes are an integral part of these financial statements

CLAY COUNTY SCHOOL DISTRICT

**BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2015**

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,587,005	\$ -	\$ 777,761	\$ 1,566,607	\$ 371,962	\$ 5,303,335
Accounts receivable:			-	-	-	
Taxes	193,323	-	-	-	-	193,323
Other	10,046	207,297	-	-	-	217,343
Intergovernmental - State	-	816,861	-	-	-	816,861
Intergovernmental - Federal	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 2,790,374</b>	<b>\$ 1,024,158</b>	<b>\$ 777,761</b>	<b>\$ 1,566,607</b>	<b>\$ 371,962</b>	<b>\$ 6,530,862</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Checks written in excess of account balance	\$ -	\$ 752,507	\$ -	\$ -	\$ -	\$ 752,507
Accounts payable	106,074	51,054	-	-	-	157,128
Unearned revenue	-	220,597	-	-	-	220,597
<b>Total liabilities</b>	<b>106,074</b>	<b>1,024,158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,130,232</b>
<b>Fund balances</b>						
Non-spendable	-	-	-	-	-	-
Restricted	-	-	777,761	1,566,607	371,962	2,716,330
Committed	100,000	-	-	-	-	100,000
Assigned	-	-	-	-	-	-
Unassigned	2,584,300	-	-	-	-	2,584,300
<b>Total fund balances</b>	<b>2,684,300</b>	<b>-</b>	<b>777,761</b>	<b>1,566,607</b>	<b>371,962</b>	<b>5,400,630</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,790,374</b>	<b>\$ 1,024,158</b>	<b>\$ 777,761</b>	<b>\$ 1,566,607</b>	<b>\$ 371,962</b>	<b>\$ 6,530,862</b>

CLAY COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION

Year ended June 30, 2015

---

Total fund balances - governmental funds	\$ 5,400,630
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	25,476,154
--	------------

Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	1,240,767
---	-----------

Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(13,465,000)
--	--------------

Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(987,334)
---	-----------

The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(293,503)
---	-----------

KSBIT assessment payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(267,632)
--	-----------

Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(5,770,425)
--	-------------

Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(644,311)
--	-----------

Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(103,665)</u>
--	------------------

Total net position - governmental activities	<u>\$ 10,585,681</u>
--	----------------------

## CLAY COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**  
Year ended June 30, 2015

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
From local sources:						
Taxes						
Property	\$ 2,402,927	\$ -	\$ 275,097	\$ -	\$ -	\$ 2,678,024
Motor vehicle	472,033	-	-	-	-	472,033
Utility	1,139,313	-	-	-	-	1,139,313
Other	76,925	-	-	-	-	76,925
Earnings on investments	19,500	-	4,970	7,185	1,422	33,077
Other local	22,678	1,070,238	-	-	-	1,092,916
Intergovernmental - State	21,618,383	1,291,866	810,775	-	669,636	24,390,660
Intergovernmental - Federal	13,932	4,712,298	-	-	-	4,726,230
<b>Total revenues</b>	<b>25,765,691</b>	<b>7,074,402</b>	<b>1,090,842</b>	<b>7,185</b>	<b>671,058</b>	<b>34,609,178</b>
<b>Expenditures</b>						
Current:						
Instruction	15,140,061	4,583,294	-	-	-	19,723,355
Student	512,769	151,634	-	-	-	664,403
Instructional support	847,978	1,905,124	-	-	-	2,753,102
District administration	1,327,576	25,244	-	-	-	1,352,820
School administration	1,640,800	-	-	-	-	1,640,800
Business support	414,239	6,146	-	-	-	420,385
Plant operations and maintenance	3,121,852	66,240	-	-	-	3,188,092
Student transportation	3,006,895	4,501	-	-	-	3,011,396
Other instructional	1,082	-	-	-	-	1,082
Community services	2,800	409,550	-	-	-	412,350
Building acquisition and construction	-	-	-	342,981	-	342,981
Debt service	473,997	-	-	-	1,449,806	1,923,803
<b>Total expenditures</b>	<b>26,490,049</b>	<b>7,151,733</b>	<b>-</b>	<b>342,981</b>	<b>1,449,806</b>	<b>35,434,569</b>
Excess (deficit) of revenues over (under) expenditures	(724,358)	(77,331)	1,090,842	(335,796)	(778,748)	(825,391)
<b>Other financing sources (uses)</b>						
Proceeds from sale of fixed assets	576,154	-	-	-	-	576,154
Proceeds from capital leases	524,286	-	-	-	-	524,286
Transfers in	216,146	84,331	-	335,796	1,070,123	1,706,396
Transfers out	(413,127)	(7,000)	(1,070,123)	-	(216,146)	(1,706,396)
<b>Total other financing sources (uses)</b>	<b>903,459</b>	<b>77,331</b>	<b>(1,070,123)</b>	<b>335,796</b>	<b>853,977</b>	<b>1,100,440</b>
<b>Net change in fund balance</b>	<b>179,101</b>	<b>-</b>	<b>20,719</b>	<b>-</b>	<b>75,229</b>	<b>275,049</b>
Fund balance as of June 30, 2014	2,505,199	-	757,042	1,566,607	296,733	5,125,581
<b>Fund balance as of June 30, 2015</b>	<b>\$ 2,684,300</b>	<b>\$ -</b>	<b>\$ 777,761</b>	<b>\$ 1,566,607</b>	<b>\$ 371,962</b>	<b>\$ 5,400,630</b>

## CLAY COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2015

---

Net change in total fund balances - governmental funds	\$ 275,049
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlay expense for the year.	(139,196)
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities.	(71,942)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	1,619,113
Bond and capital lease proceeds are recognized as revenue in the governmental fund financial statements but are increases in liabilities in the Statement of Net Position.	(524,286)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.	5,917
Calculated pension expense is not recognized on the governmental fund financial statements, but is recognized as an expense on the Statement of Activities. while pension contributions are deferred on the Statement of Net Assets	68,979
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	(13,856)
Proceeds from the sale of assets are recognized as revenue in the governmental funds but are recorded as gains or losses in the Statement of Activities.	<u>(497,802)</u>
Change in net position - governmental activities	<u>\$ 721,976</u>

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
June 30, 2015

	Food Service Fund	Total
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 186,912	\$ 186,912
Total current assets	186,912	186,912
<b>Noncurrent assets</b>		
Capital assets	1,840,423	1,840,423
Less accumulated depreciation	(1,343,951)	(1,343,951)
Total noncurrent assets	496,472	496,472
<b>Total assets</b>	683,384	683,384
<b>Deferred outflow of resources</b>		
Deferred outflows of contributions	143,766	143,766
<b>LIABILITIES</b>		
<b>Noncurrent liabilities</b>		
Net pension liability	1,143,575	1,143,575
<b>Total liabilities</b>	1,143,575	1,143,575
<b>Deferred inflow of resources</b>		
Deferred inflows related to pension expense	127,689	127,689
<b>NET POSITION</b>		
Net investment in capital assets	496,472	496,472
Restricted for:		
Other	(940,586)	(940,586)
Unrestricted	-	-
<b>Total net position</b>	\$ (444,114)	\$ (444,114)

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
 PROPRIETARY FUNDS  
 Year ended June 30, 2015

	Food Service Fund	Total
<b>Operating revenues</b>		
Lunchroom sales	\$ 236,754	\$ 236,754
Other	11,475	11,475
Total operating revenues	248,229	248,229
<b>Operating expenses</b>		
Salaries and wages	833,598	833,598
Employee benefits	383,603	383,603
Pension expense	-	-
Materials and supplies	1,204,780	1,204,780
Other	-	-
Depreciation	18,771	18,771
Total operating expenses	2,440,752	2,440,752
Operating loss	(2,192,523)	(2,192,523)
<b>Nonoperating revenues</b>		
Federal grants	1,833,570	1,833,570
State grants	205,337	205,337
Donated commodities	119,740	119,740
Total nonoperating revenues/(expenses)	2,158,647	2,158,647
Income before contributions	-	-
Transfers and special items	(33,876)	(33,876)
Transfers in (out)	-	-
<b>Change in net position</b>	(33,876)	(33,876)
Net position as of June 30, 2014 (restated)	(410,238)	(410,238)
<b>Net position as of June 30, 2015</b>	<u>\$ (444,114)</u>	<u>\$ (444,114)</u>

## CLAYCOUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year ended June 30, 2015

	Food Service Fund	Total
<b>Cash flows from operating activities</b>		
Cash received from:		
Lunchroom sales	\$ 236,754	\$ 236,754
Other activities	11,475	11,475
Cash paid to/for:		
Employees	(1,230,871)	(1,230,871)
Supplies	(1,085,040)	(1,085,040)
Net cash used in operating activities	(2,067,682)	(2,067,682)
<b>Cash flows from non-capital financing activities</b>		
Grants received	2,038,907	2,038,907
Transfer from (to) general fund	-	-
Net cash used in non-capital financing activities	2,038,907	2,038,907
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(99,484)	(99,484)
Net cash used in capital and related activities	(99,484)	(99,484)
Net increase in cash and cash equivalents	(128,259)	(128,259)
Cash and cash equivalents as of June 30, 2014	315,171	315,171
<b>Cash and cash equivalents as of June 30, 2015</b>	<b>\$ 186,912</b>	<b>\$ 186,912</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income/ (loss)	\$ (2,192,523)	\$ (2,192,523)
Adjustments to reconcile change in net position to net cash used in operating activities:		
Net change in pension expense	(13,670)	(13,670)
Donated commodities	119,740	
Depreciation	18,771	18,771
<b>Net cash used in operating activities</b>	<b>\$ (2,067,682)</b>	<b>\$ (2,187,422)</b>
<b>Schedule of non-cash transactions:</b>		
Loss on disposal of assets	\$ (710)	\$ (710)
Depreciation	18,771	18,771
Donated commodities	119,740	119,740
<b>Total non-cash transactions</b>	<b>\$ 137,801</b>	<b>\$ 137,801</b>



CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
June 30, 2015

---

	Agency Funds	Total Fiduciary Funds
<b>ASSETS</b>		
Cash	\$ 332,617	\$ 332,617
Accounts receivable	-	-
<b>Total assets</b>	<u>332,617</u>	<u>332,617</u>
<b>LIABILITIES</b>		
Accounts payable	-	-
Due to student groups	<u>332,617</u>	<u>332,617</u>
<b>Total liabilities</b>	<u>332,617</u>	<u>332,617</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>

## 1. REPORTING ENTITY

The Clay County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Clay County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Clay County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Clay County School District Finance Corporation - In 1989, the Clay County Board of Education resolved to authorize the establishment of the Clay County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the significant accounting policies:

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

### II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Type (Agency Funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property taxes are levied by September 30 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.596 per \$100 valuation for real property, \$.596 per \$100 valuation for business personal property and \$.487 per \$100 valuation for motor vehicles.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

### Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

### Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

The Board adopted GASB Statement Number 54 in a prior year and under this statement, the fund balance is separated into five categories as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**Restricted** fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed** fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

**Assigned** fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

**Unassigned** fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.



## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

### Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015, in the governmental funds balance sheet.

### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers Retirement system of the State of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015 none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank & Trust of Manchester	\$ 5,457,337	\$ 4,976,022
PNC Bank	<u>558,547</u>	<u>281,247</u>
	<u>\$ 6,015,884</u>	<u>\$ 5,257,269</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 4,737,740
Proprietary funds	186,912
Agency funds	<u>332,617</u>
	<u>\$ 5,257,269</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds  
SEEK Capital Outlay Fund  
Facility Support Program (FSPK) Fund  
School Construction Fund  
School Food Service Fund  
Agency Funds

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

---

**4. INVESTMENTS**

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2015, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<b>June 30, 2014</b>			<b>June 30, 2015</b>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b>
<b>Governmental Activities</b>				
Land & Land Improvements	\$ 943,638	\$ -	\$ 173,345	\$ 770,293
Buildings	40,471,061	125,590	365,235	40,231,416
Technology	2,302,797	19,159	-	2,321,956
Vehicles	6,094,202	1,013,029	861,107	6,246,124
General Equipment	1,055,394	83,578	16,958	1,122,014
Construction Work in Progress	523,704	342,981	125,590	741,095
Total historical cost	51,390,796	1,584,337	1,542,234	51,432,899
Less accumulated depreciation	25,277,644	1,597,944	918,843	25,956,745
Governmental capital assets, net	<u>\$ 26,113,152</u>	<u>\$ (13,607)</u>	<u>\$ 623,391</u>	<u>\$ 25,476,154</u>
<b>Business-type Activities</b>				
Buildings	\$ 993,436	\$ -	\$ -	\$ 993,436
Technology	-	-	-	-
Food service equipment	823,806	99,484	76,303	846,987
Total historical cost	1,817,242	99,484	76,303	1,840,423
Less accumulated depreciation	1,401,483	18,771	76,303	1,343,951
Business-type capital assets, net	<u>\$ 415,759</u>	<u>\$ 80,713</u>	<u>\$ -</u>	<u>\$ 496,472</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

---

**5. CAPITAL ASSETS - CONTINUED**

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$	1,239,037
Student		11,157
Instruction staff		100
District administrative		23,061
School administrative		927
Business		6,396
Plant operation and maintenance		12,470
Student transportation		304,759
Community service		37
	\$	<u>1,597,944</u>

**6. CAPITAL LEASE PAYABLE**

The District has entered into a capital lease agreement for buses under which the buses will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2015:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2014	Debt Issued	Debt Paid	Balance June 30, 2015	Due Within One Year
2012 KISTA	March, 2022	2% - 2.625%	\$ 518,475	\$ 403,701	\$ -	\$ 403,701	\$ -	\$ -
2014 KISTA	March, 2024	2% - 3%	519,250	519,250	-	56,202	463,048	57,337
2015 KISTA	March, 2025	1% - 2.625%	<u>524,286</u>	<u>-</u>	<u>524,286</u>	<u>-</u>	<u>524,286</u>	<u>56,831</u>
			<u>\$ 1,562,011</u>	<u>\$ 922,951</u>	<u>\$ 524,286</u>	<u>\$ 459,903</u>	<u>\$ 987,334</u>	<u>\$ 114,168</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

---

**6. CAPITAL LEASE PAYABLE - CONTINUED**

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2015:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-16	114,168	19,922	134,090
2016-17	106,231	18,505	124,736
2017-18	100,173	16,951	117,124
2018-19	101,920	15,197	117,117
2019-20	104,056	13,159	117,215
2020-21	106,003	11,078	117,081
2021-22	108,328	8,891	117,219
2022-23	101,959	6,385	108,344
2023-24	95,869	3,856	99,725
2024-25	48,627	1,276	49,903
Totals	<u>\$ 987,334</u>	<u>\$ 115,220</u>	<u>\$ 1,102,554</u>

Less: amounts representing interest (115,220)

Net Capital lease liability \$ 987,334

**7. LONG-TERM OBLIGATIONS**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Clay County School District Finance Corporation.

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>		<u>Proceeds</u>	<u>Rates</u>
1996	\$	1,730,000	4.40%
2005	\$	5,000,000	3.50% - 4.20%
2008	\$	4,460,000	3.55%
2010R	\$	5,510,000	0.5% - 2.65%
2012R	\$	5,095,000	0.5% - 2.10%
2014	\$	815,000	0.450% - 4.125%

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clay County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

## 7. LONG-TERM OBLIGATIONS - CONTINUED

In 1996, 2003, and 2008 the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008 the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015 for debt service (principal and interest) are as follows:

*Table on following page:*

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

**7. LONG-TERM OBLIGATIONS - CONTINUED**

Year	Clay County School District		Kentucky School Facility Construction Commission		Urgent Needs Trust Fund		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015-16	861,050	\$ 213,081	\$ 90,646	\$ 52,464	\$ 153,304	\$ 87,967	\$ 1,105,000	\$ 353,512
2016-17	873,455	197,100	87,798	50,170	158,747	82,525	1,120,000	329,795
2017-18	900,000	179,730	85,618	48,033	164,382	76,889	1,150,000	304,652
2018-19	915,000	161,430	84,782	45,816	170,218	71,054	1,170,000	278,300
2019-20	935,000	142,130	88,739	43,524	176,261	65,011	1,200,000	250,665
2020-21	965,000	120,155	92,482	40,916	182,518	58,754	1,240,000	219,825
2021-22	980,000	97,480	91,003	37,826	188,997	52,274	1,260,000	187,580
2022-23	1,005,000	73,475	94,293	34,788	195,707	45,565	1,295,000	153,828
2023-24	1,000,000	50,863	102,346	31,633	202,654	38,617	1,305,000	121,113
2024-25	995,000	27,363	105,152	28,019	209,848	31,423	1,310,000	86,805
2025-26	-	-	107,702	24,307	217,298	23,974	325,000	48,281
2026-27	-	-	109,988	20,503	225,012	16,259	335,000	36,762
2027-28	-	-	117,000	16,619	233,000	8,272	350,000	24,891
2028-29	-	-	45,000	12,263	-	-	45,000	12,263
2029-30	-	-	45,000	10,463	-	-	45,000	10,463
2030-31	-	-	50,000	8,663	-	-	50,000	8,663
2031-32	-	-	50,000	6,600	-	-	50,000	6,600
2032-33	-	-	55,000	4,538	-	-	55,000	4,538
2033-34	-	-	55,000	2,269	-	-	55,000	2,269
	<u>\$ 9,429,505</u>	<u>\$ 1,262,807</u>	<u>\$ 1,557,549</u>	<u>\$ 519,414</u>	<u>\$ 2,477,946</u>	<u>\$ 658,584</u>	<u>\$ 13,465,000</u>	<u>\$ 2,440,805</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2015 is as follows:

School Building Revenue Bonds	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
1996	\$ 30,000	-	\$ 10,000	\$ 20,000
2005	195,000	-	195,000	-
2008	3,430,000	-	195,000	3,235,000
2010	5,060,000	-	580,000	4,480,000
2012	5,005,000	-	60,000	4,945,000
2014	815,000	-	30,000	785,000
KSBIT Novation	356,842	-	89,210	267,632
Accrued Sick Leave	279,647	13,856	-	293,503
	<u>\$ 15,171,489</u>	<u>\$ 13,856</u>	<u>\$ 1,159,210</u>	<u>\$ 14,026,135</u>

## 8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

### General information about the County Employees Retirement System Non-Hazardous (CERS)

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.



## 8. RETIREMENT PLANS - CONTINUED

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 18.63% of the employee's total compensation subject to contribution.

### **General information about the Teachers' Retirement System of the State of Kentucky (KTRS)**

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided*—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

## 8. RETIREMENT PLANS - CONTINUED

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions**—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

### **Medical Insurance Plan**

*Plan description*—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

## 8. RETIREMENT PLANS – CONTINUED

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$	6,914,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>106,821,950</u>
	\$	<u>113,735,950</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.213111%.

For the year ended June 30, 2015, the District recognized pension expense of \$786,552 related to CERS and \$7,275,151 related to KTRS. The District also recognized revenue of \$7,275,151 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	772,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>869,201</u>	<u>-</u>
Total	<u>\$ 869,201</u>	<u>\$ 772,000</u>

## 8. RETIREMENT PLANS – CONTINUED

The \$869,201 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	154,400
2017	\$	154,400
2018	\$	154,400
2019	\$	154,400
2020	\$	154,400

*Actuarial assumptions*—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

## 8. RETIREMENT PLANS – CONTINUED

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

## 8. RETIREMENT PLANS - CONTINUED

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 9,098,525	\$ 6,914,000	\$ 4,984,155
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

The District's contribution KTRS for the years ended June 30, 2015, 2014 and 2013 was \$750,683, \$638,463, and \$449,606, respectively. The District's contributions to CERS for the years ended June 30, 2015, 2014, and 2013 were \$868,089, \$921,875, and \$919,462, respectively. Per KTRS, all contributions made by the District are for health insurance and should not be considered contributions towards retirement. The District met their contribution requirements.

## 9. LEASES

The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2015, aggregate cost for equipment and copier rentals was approximately \$85,587.

## 10. CONTINGENCIES

*Grants* - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2015 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## 11. LITIGATION

The District is subject to legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

## 12. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$6,899,448 reduction in beginning net position on the Statement of Activities and an increase of \$869,201 of deferred outflows of resources – District contributions subsequent to the measurement date.

## 13. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in Note 10-*Contingencies*.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

## 14. DEFICIT FUND BALANCES

The District had a deficit fund balance in the Food Service Fund due to the recognition of a net pension liability. No other funds had deficit fund balances, but some funds may have deficit operating balances.

## 15. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

## 16. TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 77,331
Operating	General	Construction	Construction	\$ 335,796
Operating	Building	Debt Service	Debt Service	\$ 1,070,123
Operating	Capital Outlay	Gener	COFT	\$ 216,146
Operating	Special Revenue	Special Revenue	KETS Match Reclass	\$ 7,000

## 17. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2015, there were no interfund balances outstanding that are reflected in the financial statements.

# **18. ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement System of Kentucky	\$	1,667,329
Health and Life insurance		3,901,802
Technology		67,365
Debt Service		379,683
	\$	<u>6,016,179</u>

# **19. FUND BALANCE DESIGNATIONS**

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
FSPK	\$ 777,761	Construction/ Debt Service
Construction	\$ 1,566,607	Future Construction
Capital Outlay	\$ 371,962	SFCC Requirement

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 100,000	Sick Leave Retirement Benefit

# **20. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through the date of the audit report. There were no events as of the date of the financial statements that would require adjustment to the financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 2,350,200	\$ 2,350,200	\$ 2,402,927	\$ 52,727
Motor vehicle	410,000	410,000	472,033	62,033
Utility	1,050,000	1,050,000	1,139,313	89,313
Other	100,000	100,000	76,925	(23,075)
Earnings on investments	25,000	25,000	19,500	(5,500)
Other local	22,000	22,000	22,678	678
Intergovernmental - State	21,946,270	21,946,270	21,618,383	(327,887)
Intergovernmental - Federal	-	-	13,932	13,932
Total revenues	<u>25,903,470</u>	<u>25,903,470</u>	<u>25,765,691</u>	<u>(137,779)</u>
<b>Expenditures</b>				
Current:				
Instruction	15,280,811	15,280,812	15,140,061	140,751
Student	548,177	548,177	512,769	35,408
Instructional support	822,306	822,306	847,978	(25,672)
District administration	2,159,182	2,159,182	1,327,576	831,606
School administration	1,626,324	1,626,324	1,640,800	(14,476)
Business operations	431,242	431,242	414,239	17,003
Plant operations and maintenance	3,306,643	3,306,643	3,121,852	184,791
Student transportation	2,806,514	2,806,514	3,006,895	(200,381)
Other instructional	1,250	1,250	1,082	168
Community service	-	-	2,800	(2,800)
Debt service	125,361	125,361	473,997	(348,636)
Contingency	1,969,619	1,969,619	-	1,969,619
Total expenditures	<u>29,077,429</u>	<u>29,077,430</u>	<u>26,490,049</u>	<u>2,587,381</u>
Excess (deficit) of revenues over (under) expenditures	(3,173,959)	(3,173,960)	(724,358)	2,449,602
<b>Other financing sources (uses)</b>				
Proceeds from sale of equipment	552,615	552,615	576,154	23,539
Proceeds from capital leases	-	-	524,286	524,286
Transfers in	216,146	216,146	216,146	-
Transfers out	-	-	(413,127)	(413,127)
Total other financing sources (uses)	<u>768,761</u>	<u>768,761</u>	<u>903,459</u>	<u>134,698</u>
<b>Net change in fund balance</b>	(2,405,198)	(2,405,199)	179,101	2,584,300
Fund balance as of June 30, 2014	<u>2,505,199</u>	<u>2,505,199</u>	<u>2,505,199</u>	<u>-</u>
<b>Fund balance as of June 30, 2015</b>	<u>\$ 100,001</u>	<u>\$ 100,000</u>	<u>\$ 2,684,300</u>	<u>\$ 2,584,300</u>

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 1,042,741	\$ 1,042,741	\$ 1,070,238	\$ 27,497
Intergovernmental - State	1,499,501	1,499,501	1,291,866	(207,635)
Intergovernmental - Federal	4,414,251	4,414,251	4,712,298	298,047
Total revenues	6,956,493	6,956,493	7,074,402	117,909
<b>Expenditures</b>				
Current:				
Instruction	4,319,754	4,319,754	4,583,294	(263,540)
Student support services	120,147	120,147	151,634	(31,487)
Instructional support	1,987,437	1,987,437	1,905,124	82,313
District administration	22,721	22,721	25,244	(2,523)
Business support services	8,979	8,979	6,146	2,833
Plant operations & maintenance	78,792	78,792	66,240	12,552
Student transportation	9,015	9,015	4,501	4,514
Community service	409,648	409,648	409,550	98
Total expenditures	6,956,493	6,956,493	7,151,733	(195,240)
Deficit of revenues under expenditures	-	-	(77,331)	77,331
<b>Other financing sources</b>				
Operating transfers in	-	-	84,331	84,331
Operating transfers out	-	-	(7,000)	(7,000)
Total other financing sources	-	-	77,331	77,331
<b>Net change in fund balance</b>	-	-	-	-
Fund balance as of June 30, 2014	-	-	-	-
<b>Fund balance as of June 30, 2015</b>	\$ -	\$ -	\$ -	\$ -

## **CLAY COUNTY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGET AND ACTUAL - GENERAL FUND**

**Year ended June 30, 2015**

---

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
Year ended June 30, 2015

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.21%	\$ 6,914,000	\$ 5,026,253	137.56%	66.80%

\* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
Year ended June 30, 2015

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2015	\$ 869,201	\$ 869,201	\$ -	\$ 5,043,672	17.23%
2014	\$ 923,552	\$ 923,552	\$ -	\$ 5,026,253	18.37%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Year ended June 30, 2015

---

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2015	100%	\$ 106,821,950	45.59%

\* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
--

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF STATE CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Year ended June 30, 2015

---

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2015	\$ 2,517,294	\$ 2,517,294	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



CLAY COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 371,962	\$ -	\$ 371,962
Investments	-	-	-
Accounts Receivable	-	-	-
<b>Total assets</b>	<u>\$ 371,962</u>	<u>\$ -</u>	<u>\$ 371,962</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Fund Balances:			
Non-spendable	-	-	-
Restricted	371,962	-	371,962
<b>Total liabilities fund balances</b>	<u>\$ 371,962</u>	<u>\$ -</u>	<u>\$ 371,962</u>

# CLAY COUNTY SCHOOL DISTRICT

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2015

	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>Revenues</b>			
From local sources:			
Earnings on investments	\$ 1,422	\$ -	\$ 1,422
Intergovernmental - State	289,953	379,683	669,636
Total revenues	291,375	379,683	671,058
<b>Expenditures</b>			
Debt service	-	1,449,806	1,449,806
Total expenditures	-	1,449,806	1,449,806
<b>Other financing sources (uses)</b>			
Transfers in	-	1,070,123	1,070,123
Transfers out	(216,146)	-	(216,146)
Total other financing sources (uses)	(216,146)	1,070,123	853,977
<b>Net change in fund balance</b>	75,229	-	75,229
Fund balance as of June 30, 2014	296,733	-	296,733
<b>Fund balance as of June 30, 2015</b>	<u>\$ 371,962</u>	<u>\$ -</u>	<u>\$ 371,962</u>

CLAY COUNTY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS  
 Year Ended June 30, 2015

School/ Activity Fund	Cash and Equivalents June 30, 2014	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Big Creek Elementary School	\$ 16,380	\$ 47,745	\$ 42,994	\$ 21,131	\$ -	\$ -	\$ 21,131
Burning Springs Elementary Schoo	5,517	48,661	51,673	2,505	-	-	2,505
Goose Rock Elementary School	78,449	34,782	30,026	83,205	-	-	83,205
Hacker Elementary School	31,501	17,596	19,965	29,132	-	-	29,132
Oneida Elementary School	7,602	16,640	14,589	9,653	-	-	9,653
Manchester Elementary School	78,539	47,583	44,987	81,135	-	-	81,135
Paces Creek Elementary School	26,811	22,653	33,419	16,045	-	-	16,045
Horse Creek Learning Center	6,131	1,522	1,333	6,320	-	-	6,320
Clay County Middle School	38,496	82,592	86,668	34,420	-	-	34,420
Totals	<u>\$ 289,426</u>	<u>\$ 319,774</u>	<u>\$ 325,654</u>	<u>\$ 283,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 283,546</u>

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -  
CLAY COUNTY HIGH SCHOOL ACTIVITY FUND  
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
General	\$ 154	\$ 31,071	\$ 23,041	\$ 1,915	\$ 10,099	\$ -	\$ -	\$ 10,099
Vending Machines	5,360	3,069	5,370	906	3,965	-	-	3,965
Staff fund	1,443	5,576	5,949	-	1,070	-	-	1,070
Basketball, Boys	4,000	38,553	41,612	2,500	3,441	-	-	3,441
Basketball, Girls	7,255	24,937	32,247	2,500	2,445	-	-	2,445
Football Club	8,410	59,823	63,116	-	5,117	-	-	5,117
Baseball	2,235	29,824	27,475	-	4,584	-	-	4,584
Cross-country	-	-	120	120	-	-	-	-
Cheerleaders	2,406	62,242	62,294	-	2,354	-	-	2,354
Dance Team	-	-	-	-	-	-	-	-
Girl's Golf	218	1,695	2,684	771	-	-	-	-
Softball	943	6,342	5,837	-	1,448	-	-	1,448
Golf-Boys	-	3,054	4,147	1,093	-	-	-	-
Tennis	2,002	3,398	3,638	-	1,762	-	-	1,762
Volleyball	141	11,443	13,499	1,915	-	-	-	-
Track	4,466	4,398	7,125	-	1,739	-	-	1,739
Archery	145	6,564	5,571	-	1,138	-	-	1,138
Band	223	7,014	6,782	(446)	9	-	-	9
Choir	715	3,314	4,589	560	-	-	-	-
FCCLA	315	586	598	-	303	-	-	303
Lions and lambs	-	75	-	-	75	-	-	75
Crafting	229	396	517	-	108	-	-	108
FBLA	82	-	-	-	82	-	-	82
Home economics	1,763	374	991	-	1,146	-	-	1,146
JKG Program	9	-	-	-	9	-	-	9
Beta	1,955	4,403	5,586	-	772	-	-	772
College Prep Fund	-	76	-	-	76	-	-	76
Travel Club	22,708	29,687	48,584	-	3,811	-	-	3,811
Pep Club	47	3,719	3,703	-	63	-	-	63
Drama Club	11	5,405	5,026	-	390	-	-	390
Pride Club	-	11,511	11,427	-	84	-	-	84
JROTC	-	10,508	9,685	(823)	-	-	-	-
Rook	-	30	-	-	30	-	-	30
4-H Club	540	53	124	-	469	-	-	469
TCYC	281	1,750	1,787	-	244	-	-	244
Y Club	1,980	708	2,688	-	-	-	-	-

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -  
CLAY COUNTY HIGH SCHOOL ACTIVITY FUND  
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
First Priority	85	-	-	-	85	-	-	85
Tiger's Den	1,494	-	-	-	1,494	-	-	1,494
Swat Club	15	-	-	-	15	-	-	15
Book Club	371	1,447	1,818	-	-	-	-	-
Annual Staff	8,971	19,550	18,413	(9,936)	172	-	-	172
Newspaper	36	-	-	-	36	-	-	36
Advanced Placement	-	14,938	14,938	-	-	-	-	-
Evening of Excellence	-	-	-	-	-	-	-	-
Rocky's FMD	205	510	633	-	82	-	-	82
Amy's FMD	341	62	209	-	194	-	-	194
Academic Team	1,276	1,692	4,444	1,476	-	-	-	-
Avenue of Champion Bank	-	-	-	-	-	-	-	-
School to Work	-	-	-	-	-	-	-	-
Prom	-	5,850	3,859	(1,991)	-	-	-	-
Madrigal	982	2,205	2,467	(560)	160	-	-	160
49th District Tournament	-	3,255	3,255	-	-	-	-	-
Certificate of Deposit	-	-	-	-	-	-	-	-
Total accounts	<u>\$ 83,812</u>	<u>\$ 421,107</u>	<u>\$ 455,848</u>	<u>\$ -</u>	<u>\$ 49,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,071</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

## CLAY COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>Expenditures</b>			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
<i>Title I, Part A Cluster</i>			
Title I Grants to Local Educational Agencies	84.010	3100002 15	\$ 2,197,430
Title I Grants to Local Educational Agencies	84.010	3100002 14	536,576
<b>Total Title I, Part A Cluster</b>			<u>2,734,006</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 15	35,818
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3160002 14	112,625
			<u>148,443</u>
<i>Special Education Cluster</i>			
Special Education_ Grants to States	84.027	3810002 15	174
Special Education_ Grants to States	84.027	3810002 14	228,556
Special Education_ Grants to States	84.027	3810002 13	778,635
			<u>1,007,365</u>
Special Education_ Preschool Grants	84.173	3800002 14	62,366
			<u>62,366</u>
<b>Total Special Education Cluster</b>			<u>1,069,731</u>
Career and Technical Education - Basic Grants to States	84.048	4621132 15	38,001
Career and Technical Education - Basic Grants to States	84.048	4621132 14	1,502
			<u>39,503</u>
Rural Education	84.358	3140002 15	57,154
Race to the Top	84.413	4521	31,000
Fund for the Improvement of Education	84.215	518A	226,626
Improving Teacher Quality State Grants	84.367	3230002 15	401,692
<b>Total U.S. Department of Education</b>			<u>4,708,155</u>
<u>U.S. Department of Commerce</u>			
Passed through Eastern Kentucky Pride			
Congressionally Identified Awards and Projects	11.469	270A	743
<b>Total U.S. Department of Commerce</b>			<u>743</u>
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002 15	1,050,875
National School Lunch Program	10.555	7750002 14	327,832
National School Lunch Program	10.555	026-0100	119,740
			<u>1,498,447</u>
School Breakfast Program	10.553	7760005 15	344,999
School Breakfast Program	10.553	7760005 14	109,865
			<u>454,864</u>
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>1,953,311</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,953,311</u>

## CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
Year ended June 30, 2015

---

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Passed through The Center for Rural Development Congressionally Recommended Awards	16.753	300A	<u>3,400</u>
<b>Total U.S. Department of Justice</b>			<u>3,400</u>
<b>Total cash expenditures</b>			<b>\$ <u>6,665,609</u></b>

See notes to schedule of federal awards



**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2015**

---

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Clay County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2015 is \$119,740.

**3. CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Clay County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

**Internal Control over Financial Reporting**

Management of Clay County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Clay County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clay County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the



---

**Cloyd & Associates, PSC**  
*Certified Public Accountants*

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Clay County School District in a separate letter dated November 13, 2015.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015





---

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Clay County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clay County School District's major federal programs for the year ended June 30, 2015. The Clay County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Clay County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clay County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clay County School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Clay County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



**Cloyd & Associates, PSC**  
Certified Public Accountants

### **Report on Internal Control over Compliance**

Management of Clay County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clay County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clay County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Clay County School District, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
---	--------------------

Title I Grants to Local Educational Agencies	84.010
--	--------

Funds for the Improvement of Education	84.215
--	--------

Dollar threshold used to distinguish between Type A and Type B program	\$300,000
--	-----------

Auditee qualified as low risk	<u>✓</u> Yes	<u>      </u> No
-------------------------------	--------------	------------------

(Continued)

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year Ended June 30, 2015

---

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None



**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year Ended June 30, 2015

---

**Status of Prior Year Findings**

There were no prior year audit findings.

## **MANAGEMENT LETTER COMMENTS**



---

**Cloyd & Associates, PSC**

*Certified Public Accountants*

Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

In planning and performing our audit of the basic financial statements of Clay County School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 13, 2015, on the basic financial statements of Clay County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

# CLAY COUNTY SCHOOL DISTRICT

## MANAGEMENT LETTER COMMENTS JUNE 30, 2015

### Prior Year Comments – School Activity Funds

#### Big Creek Elementary

1. Invoices were not stamped or clearly cancelled with "Paid" to prevent double payment.

*This deficiency was corrected in the current year.*

#### Oneida Elementary

2. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders not being used to were noted.

*This deficiency was not corrected in the current year.*

3. Invoices were not stamped or clearly cancelled with "Paid" to prevent double payment.

*This deficiency was corrected in the current year.*

4. Ticket requisitions were either not present or improperly issued. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event.

*This deficiency was corrected in the current year.*

#### Burning Springs Elementary

5. Deposits should be made daily per Redbook guidelines. Numerous instances of deposits being held and not deposited on the day received.

*This deficiency was not corrected in the current year.*

#### Paces Creek Elementary

6. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders dated after invoices were noted

*This deficiency was corrected in the current year*

7. Multiple Receipt Forms were not used properly. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. A copy of Form F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and the original shall be given to the school treasurer."

*This deficiency was corrected in the current year.*

# CLAY COUNTY SCHOOL DISTRICT

## MANAGEMENT LETTER COMMENTS JUNE 30, 2015

### Prior Year Comments – School Activity Funds - continued

#### Goose Rock Elementary

8. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders dated after the invoice were noted.

*This deficiency was corrected in the current year.*

### Current Year Comments –School Activity Funds

During testing of school activity funds, we noted the following general deficiencies in internal control. The individual schools where these issues were noted are listed:

#### Oneida Elementary

1. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders not being used to were noted.

*Management response: Additional training and follow-up with bookkeepers will be implemented to help correct this deficiency.*

2. Multiple Receipt Forms were not used properly. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. A copy of Form F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and the original shall be given to the school treasurer."

*Management response: Additional training and follow-up with bookkeepers will be implemented to help correct this deficiency.*

#### Burning Springs Elementary

3. Deposits should be made daily per Redbook guidelines. Numerous instances of deposits being held and not deposited on the day received.

*Management response: Additional training and follow-up with bookkeepers will be implemented to help correct this deficiency.*

4. Multiple Receipt Forms were not used properly. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money. A copy of Form F-SA-6 or a copy of the pre-numbered receipt shall be retained by the teacher/sponsor and the original shall be given to the school treasurer."

*Management response: Additional training and follow-up with bookkeepers will be implemented to help correct this deficiency.*